

Retail retention: using data to build customer loyalty

An Experian QAS white paper



Contents

	Page
1 Introduction	3
2 Getting up close and personal with your customer	4/5
3 Spending on data – the precious budget	6
4 Data in detail	7
5 Conclusion	8
6 Additional resources	9
7 Appendix	10

1. Introduction

As consumers rein in their spending and focus on the bare essentials, retail organisations have to change their behaviour in order to retain their valuable customers. The current economic condition presents a good opportunity for retailers to put their house in order and get themselves in good shape for when consumer confidence returns and spending increases.

With this in mind, there are two things that retail organisations need to do. The first is to gain a thorough understanding of their customers' behaviour and the relationship they hold with them, in order to retain their business and loyalty. The second is to manage budgets efficiently, by cutting out waste and spending money more effectively.

And data lies at the heart of this. The purpose of this guide is to offer retailers practical advice on managing data to retain your most valuable customers. In doing so, the guide will draw on the findings of the latest Experian QAS global data quality research, commissioned to find out how retailers are managing their way through the current economic downturn, and what part data is playing in helping them to grow their business. The research will also enable you to rate yourselves against other retailers in the marketplace.

In three sections, the guide offers advice on how to exploit data in order to retain customers, and on how to best manage data within a retail organisation. It also considers the importance of having a data quality strategy and gives top tips on where to start.

1. Getting up close and personal with your customer

This section looks at maximising your relationship with your existing customers, explaining how you can use the transactional data you hold on them as a guide to the types of products and services they might want from you in the future. It also explains how you can use this data to identify your most valuable customers, and find others like them.

2. Spending on data – the precious budget

Research commissioned by Experian QAS indicates that 85 per cent of retail organisations plan to invest as much or more in data quality tools this year as they did last year. "Spending on data – the precious budget" looks at securing budget for data quality initiatives by demonstrating how poor quality data can have a negative impact on all areas of a business and the ROI that can be expected as a result of improved data quality.

3. Data in detail

How do you go about improving data quality? This chapter discusses why it is essential to create and document a data quality strategy that outlines the reasons why you need to improve data quality, and the processes that can help you get there.

Experian QAS global data research retail summary

- 36 per cent of retail organisations don't have a documented data quality strategy
- 87 per cent said customer retention will be a big focus in 2009
- 63 per cent plan to invest the same or more in data quality initiatives in the next 6 months
- Only half update their databases every quarter

202 retailers surveyed



2. Getting up close and personal with your customer

In tough economic conditions, it's vital that you retain your most valuable and profitable customers. Experian QAS research indicates that retailers concur with this sentiment. 87 per cent said customer retention will be a big focus in 2009. And retailers are in a good position to do this with the wealth of information collected on their customers.

But for any customer retention strategy to bear fruit, it's essential that the data you hold on your customers, including everything from their name and address to their past purchases, is as error-free and up to date as possible. With accurate data, getting the basics right can be simple. Imagine getting a birthday card that arrives late with your name spelt incorrectly, and a message wishing you good luck in your new job. You would wonder if that person cares about you at all, and it's the same with your customers. No customer wants to receive mail that is incorrectly addressed or that uses the wrong name.

Accurate data also enables you to better understand your customers and then target them with offers that are most relevant to their needs and interests. You'll be able to contact them using the channels they most often use and also as frequently as they expect or require.

With access to your customers' past transactional behaviour, you can see what they have bought in the past, which serves as a reliable indicator to the products and services they might buy in the future. You'll also be able to see what their purchasing habits are. Are they a new customer with one basic product or a loyal customer who uses various products across their organisation. By conducting basket analysis of your customers' transactions, you can cross-sell and up-sell to your existing customers, usually at a much lower cost than acquiring new ones. Additionally, you can use this information to identify your best and most profitable customers, and look for other customers who share similar characteristics and who therefore offer good potential for further sales.

Decaying data

The trouble with data, however, is that it's only as good as the last time you cleaned it. Even if your database is up to date, de-duped and as accurate as possible on Monday, you can say with absolute certainty that it won't be by Tuesday. This certainty comes from the fact that in the course of a single year in the UK consumer data decays by 14 per cent. ¹

When questioned 38 per cent are proactive in updating their databases, cleaning the data on a weekly or monthly basis. At the other extreme, 35 per cent update their databases less than quarterly. A further 12 per cent admit that this activity happens less than once a year.

Perhaps the reason why many retailers don't update and clean their customer data as often as they ought to is the perceived difficulty and cost of doing so. Indeed, when asked about profiling the data they hold on their customers, only 9 per cent of retailers said they see value in profiling, and even those that do see the value, believe they don't have the resources to do it.

“We identified that 24,969 contacts we were mailing had actually moved house! We were able to instantly correct these addresses and send out new catalogues...we have already received £71,000 worth of new orders.”
IS Manager, mail order company

¹ In detail, each day 1,600 people die, 18,000 people move house, 1,800 people register with the Mailing Preference Service, and a further 1,800 with the Telephone Preference Service. Source: Office for National Statistics

Cleaning and updating a customer database frequently does not have to involve a large investment. It can positively impact a business in many different ways, from a reduction in the amount of money spent on wasted direct mail packs, to the potential for increased revenue presented by cross-selling and up-selling opportunities. Accurate data can also help an organisation identify people who are likely to default on payments, and eliminate them from their marketing activities. When questioned 25per cent of organisations in the retail sector admitted that they are unable to identify such customers.

The single customer view

Ultimately, accurate data can help an organisation achieve the much-vaunted single customer view (SCV), which should be at the heart of all customer activity. With an SCV, a retailer can see exactly how any given customer has interacted with the company, through whatever channel. In an era when consumers routinely shop with the same retailer through multiple channels (online, in store, catalogue, telephone), it has never been more important to have an SCV in place.

With an SCV, the retailer can see who the highest-spending customers are, and make a point of rewarding their loyalty. And with reference to additional data for profiling, the retailer can paint an even more detailed picture, identifying their best prospects for any new activity.

But any SCV is only as good as the data that underpins it. Without accurate and up-to-date data, whatever view you have of your customers will be an incomplete one, and any decision making or marketing activity that relies on this information may result in wasted effort and an unsuccessful outcome.



“If you don’t have customer contact data right at the outset, then it’s almost impossible to identify returning customers. It is important to get on top of problem areas such as duplicates, as these can distort reporting and make a customer appear to be of less value to the business.”

Rick Brar, Retail Consultant, Experian QAS

3. Spending on data – the precious budget

Databases don't clean themselves, and while technology has a big part to play, there is inevitably a cost associated with it, even if the emergence of on-demand services now makes it feasible even for smaller organisations to clean and maintain their data, without making heavy investments in bespoke data cleansing tools.

When questioned about the level of trust retail organisations said they had in their data, only 3 per cent of retail organisations said they trusted it 100 per cent. It's clear the lack of trust is prompting retailers to invest more to ensure their data is kept accurate and up to date. 63 per cent of retail organisations questioned said they plan to invest the same or more in data quality initiatives in the next six months.

To secure the budget and the buy-in for data quality initiatives, don't treat data purely as a marketing asset. It impacts all areas of the business and, as such, budgets could be consolidated across the business and spend apportioned to ongoing data management.

In order to secure the budget for data quality initiatives, you need to prove the business case for doing so. A simple data audit will tell you what sort of state your data is currently in. By identifying the percentage of out of date, duplicate or otherwise inaccurate records on your database, you can begin to calculate the amount of money being wasted on ineffective marketing campaigns, returns caused by deliveries going to the wrong address, bad payers, and all the other areas where inaccurate data has an impact on the business. Once you've done this, you're halfway to proving the business case for better quality data.

"Want to pitch for more budget? Learn how to read your boss' mind..."
Jonathan Hulford-Funnell, Global Managing Director for Experian QAS



Pitching to the board for investment is not an easy task, regardless of where you are based geographically. We don't expect you to be mind readers but we do expect you to consider what's on our minds.

When pitching for budget you must ensure that your project ties in with wider business objectives. At the moment, for example, three topics that are hot on many boardroom agendas are how to strip out cost, how to protect revenue / make customers 'sticky' and how to improve efficiencies. Data plays a key role in all three.

Position data quality as a solid foundation for improving business performance. This will help you secure budget and Board level support which is crucial in ensuring continued momentum.

Be careful how you use the term innovation. Some senior managers are wary of it as it suggests an element of risk but when harnessed correctly it can deliver great results. You should ensure that the proper checks and balances are put in place to justify the expenditure you need to achieve your objectives.

A presentation to the Board, senior management can be useful to highlight the options available to improve the business processes and manage control. If appropriate, the system benefits outlined should be tested were possible by data samples provided by the IT department and fully costed to justify the expenditure.



4. Data in detail

The first step to getting your data in good order is to create and document a data quality strategy. This serves two purposes. It forces you to think about your objectives, and what you want to do with the data. And it gives everyone in the organisation a blueprint that explains what you are trying to achieve and the processes by which you are going to achieve it.

With a clear data quality strategy based on accurate data you can:

- profile your database
- target the most valuable customer
- view past purchase history
- produce accurate reports on data-based activity (eg. Marketing return on investment)
- make important decisions with real confidence

The global research found a broadly even split between retail organisations that do have a documented data quality strategy, and those that don't or don't know if they have one. 47 per cent of retail organisations surveyed said they have a documented data quality strategy, while 36 per cent said they don't, and 17 per cent did not know.

Top tips

1. Measure your data. What does it look like today?
2. Agree what you want to achieve
3. Show how data quality impacts the entire organisation to ensure buy in
4. Use available technology
5. Don't stop measuring

The following points of consideration should enable you to plan a data quality strategy:

- Assess where you are now. Examine the quality of the data you hold today in terms of accuracy, completeness (addresses missing parts of the postcode, for example), and duplicates, and then set realistic targets for where you hope to be in three months, six months, and one year's time.
- Think about the key drivers and pain points for the main stakeholders in the business so you can demonstrate to them how the data strategy will help to improve things.
- Explain how better quality data will impact various departments positively across the business:
 - Marketing: reduce spend on inaccurately mailed communications
 - Distribution: reduce the number of returns
 - Finance: identify those customers likely to default on payment
 - Customer services: accurate communications keep customers loyal
- Put processes in place to regularly assess the quality of the data you hold. Nothing decays like data, so measure data quality constantly. Check the accuracy of your data, the time it takes you to process data when preparing and executing campaigns. Look for improvements in your customer satisfaction rating and in the performance of your marketing campaigns as waste is eliminated.
- Remember, too, that you can go beyond the data you hold and use additional datasets to enhance your customer data.
- Finally, don't stop measuring and benchmarking the quality of your data. When everything seems to be running smoothly and your data quality programme seems to be doing its job, revisit your initial objectives to see how your results are improving. Review the process regularly and make sure the key stakeholders are kept fully informed of your performance. This is a journey, not a destination, and if you're serious about data quality, you can't afford to just "set and forget".

5. Conclusion

In many respects, retailers are in a good place: the transactional data available to most is an incredibly valuable asset. However, retailers must ensure they make the most of this in order to have a thorough understanding of their customers to retain their business and keep them loyal.

The research shows, however, that in many instances data is being under-utilised and under-maintained and no doubt many retailers can offer a good explanation for this. With data entering the organisation from many different customer touchpoints and then residing in different parts of the business keeping on top of it all can seem like a daunting, even impossible task. But the good news is, it isn't.

Modern data management software can extract data from different databases and consolidate it to an existing database which can then be de-duplicated, cleaned and updated as often as is necessary to meet an organisation's requirements. And with the wealth of suppression files on the market, there's really no excuse for mailing people who have died, moved house, or registered their desire not

to receive direct communications. The important thing is to recognise this and take steps to put it right. We hope this document helps provide the impetus to do so.



“...improved data accuracy and subsequent data enhancement has enabled Leger Holidays to gain a better picture of the true value of each customer.”
Mike Fountain, Marketing Database Manager, Leger Holidays

6. Additional resources

For access to additional Experian retail whitepapers or to find out more about Experian QAS' retail customers: email retail@gas.com visit www.gas.co.uk/casestudies

Data integrity for a single customer view: QAS for Retail

This brochure addresses how software and services from Experian QAS can enable retail organisations to ensure that contact data is accurately collected and is correctly formatted.

How is online retail surviving the credit crunch?

Christmas 2008 was the worst for retailers since the early nineties. The online sector wasn't immune to the economic downturn, but it did continue to win business from the high street. According to the IMRG Capgemini e-Retail Sales Index, online retail sales for December 2008 increased by 14.2 per cent compared with 2007. However, much of this traffic went to the online properties of familiar high street names, implying that a strong online performance will help cushion the blow for high street retailers in 2009.

Using both **Hitwise** and **Experian FootFall** data, the report analyses online and offline retail traffic over Christmas 2008. It looks at the best performing retail sub-sectors, including a comparison between high street and online-only retailers. This report also analyses the impact of pre- and post- Christmas discounting in the online and offline retail sectors, including the growth of discount vouchers and voucher websites.

The Leaky Bucket: Four ways to fix your customer retention issues

Imagine using a bucket of water to wash your car. But the only bucket you have has lots of holes in it. To keep it full of water you have three options:

- 1) Keep putting more water in
- 2) Fix the holes
- 3) Get a new bucket

Option one requires too much effort and is highly inefficient and option three is too expensive. So how do you go about fixing the holes?

A lot of companies go with approach number one to fix their customer retention issues. Instead of fixing the root causes of their retention problem, they simply top up their 'bucket' with lots of new customers to replace the ones that churn out of their 'holes'.

Many companies spend an absolute fortune on acquisition for very little profitable growth. The Leaky Bucket approach is a very expensive way to run a business. With the ongoing credit crunch, the days of high spend acquisition campaigns are over. Retaining your existing customers and delivering profitable growth is more important than ever.

This discussion paper created by **Experian Integrated Marketing** examines four of the most material impacts on customer retention and offers some solutions on how to tackle customer churn effectively.

7. Appendix

In December 2008, Experian QAS commissioned primary research on the subjects of Global Data Quality. The quantitative research study was carried out by research firm Dynamic Markets who conducted online surveys with 2,020 respondents in organisations across nine countries around the world.

The organisations came from both the public and private sector, and included companies selling to the public in the following sectors: retail, financial services, telecoms and utilities. The business-to-business sector was also represented. Each organisation questioned had at least one customer/citizen or prospect database that is managed and maintained internally. Respondents were a mixture of CEOs, Managing Directors, directors, managers and administration staff, working in a wide variety of functions.

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